

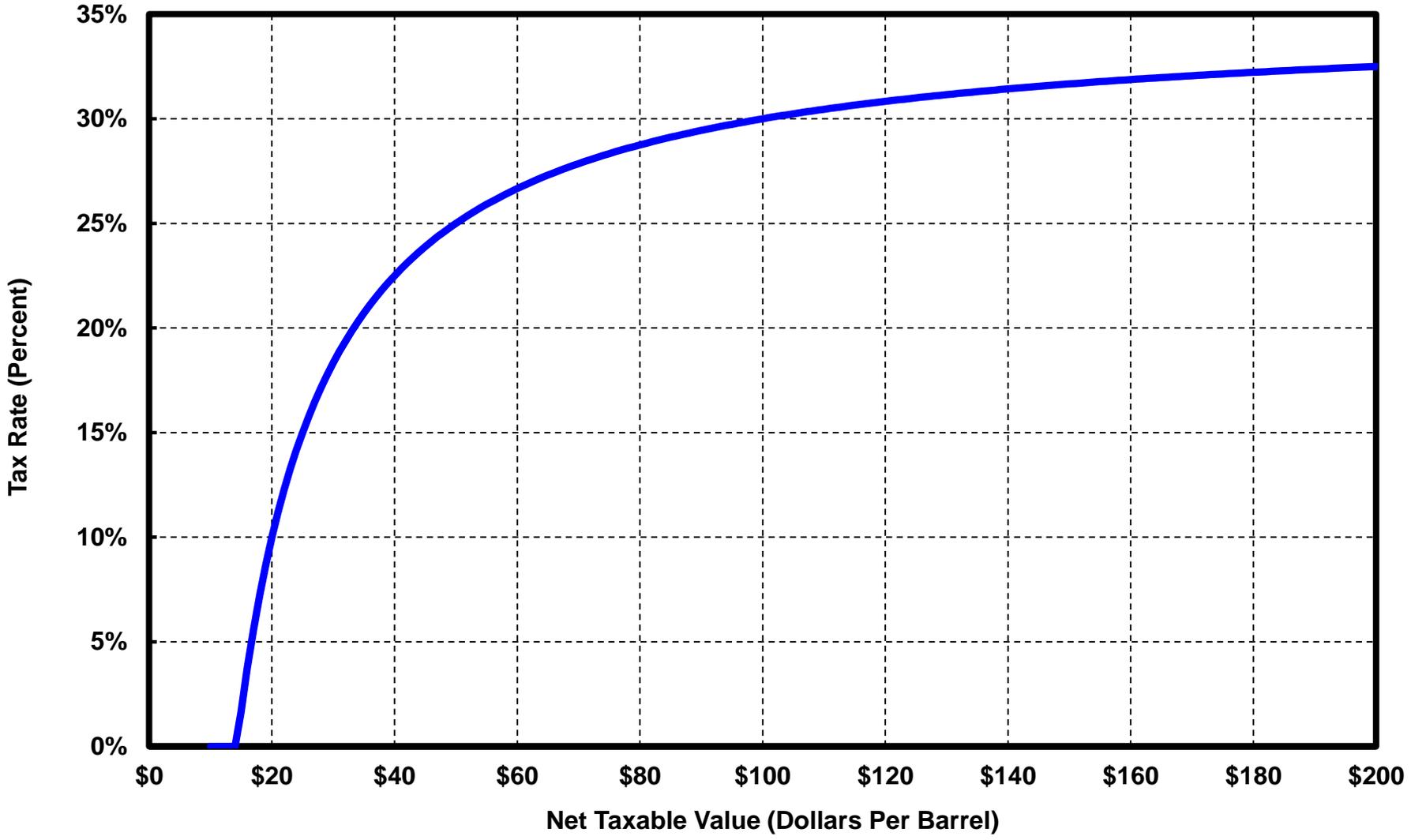
---

# **Comments To Senate Finance SB21 / SRES CS SB21**

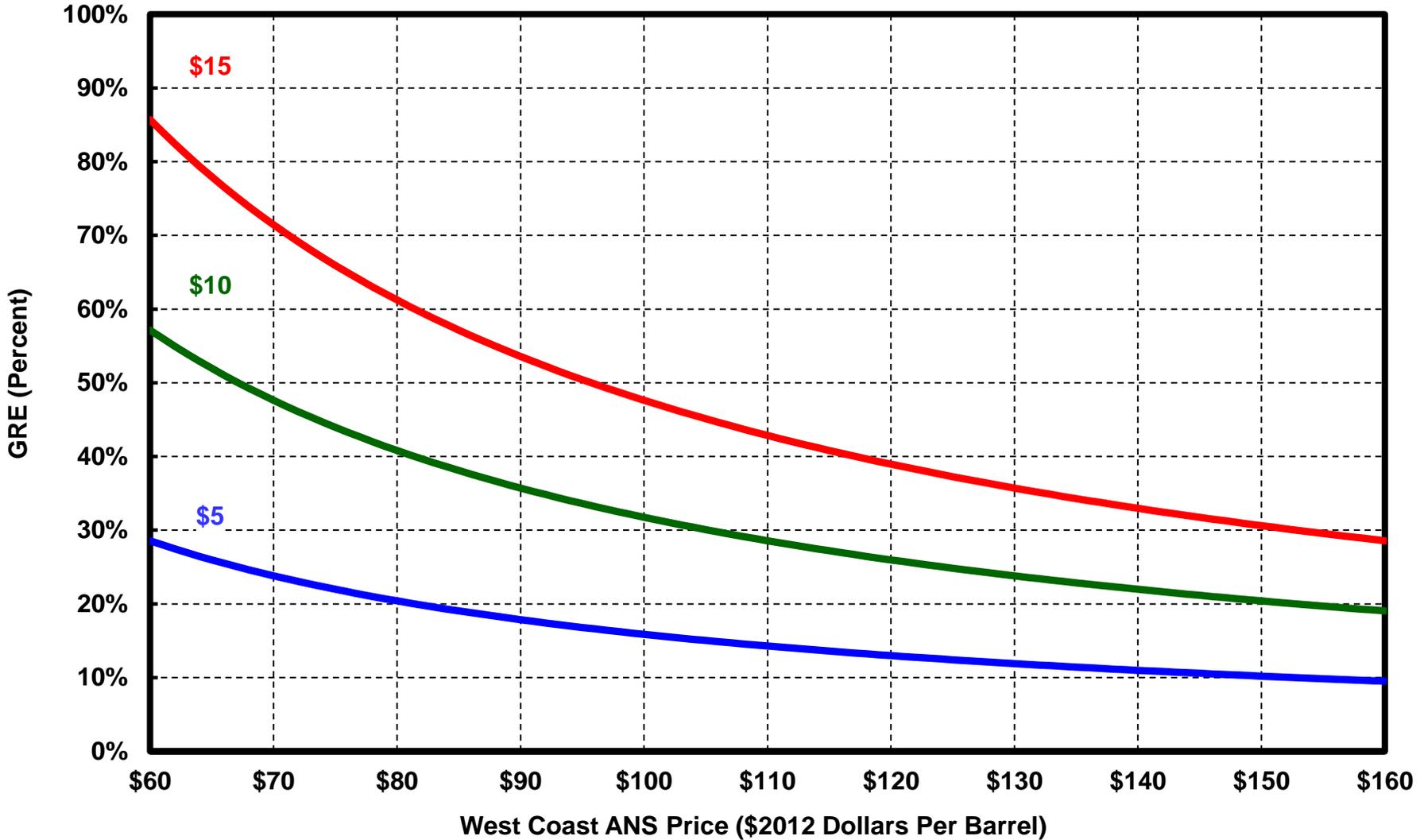
**Barry Pulliam  
Managing Director  
Econ One Research, Inc.**

**March 6, 2013**

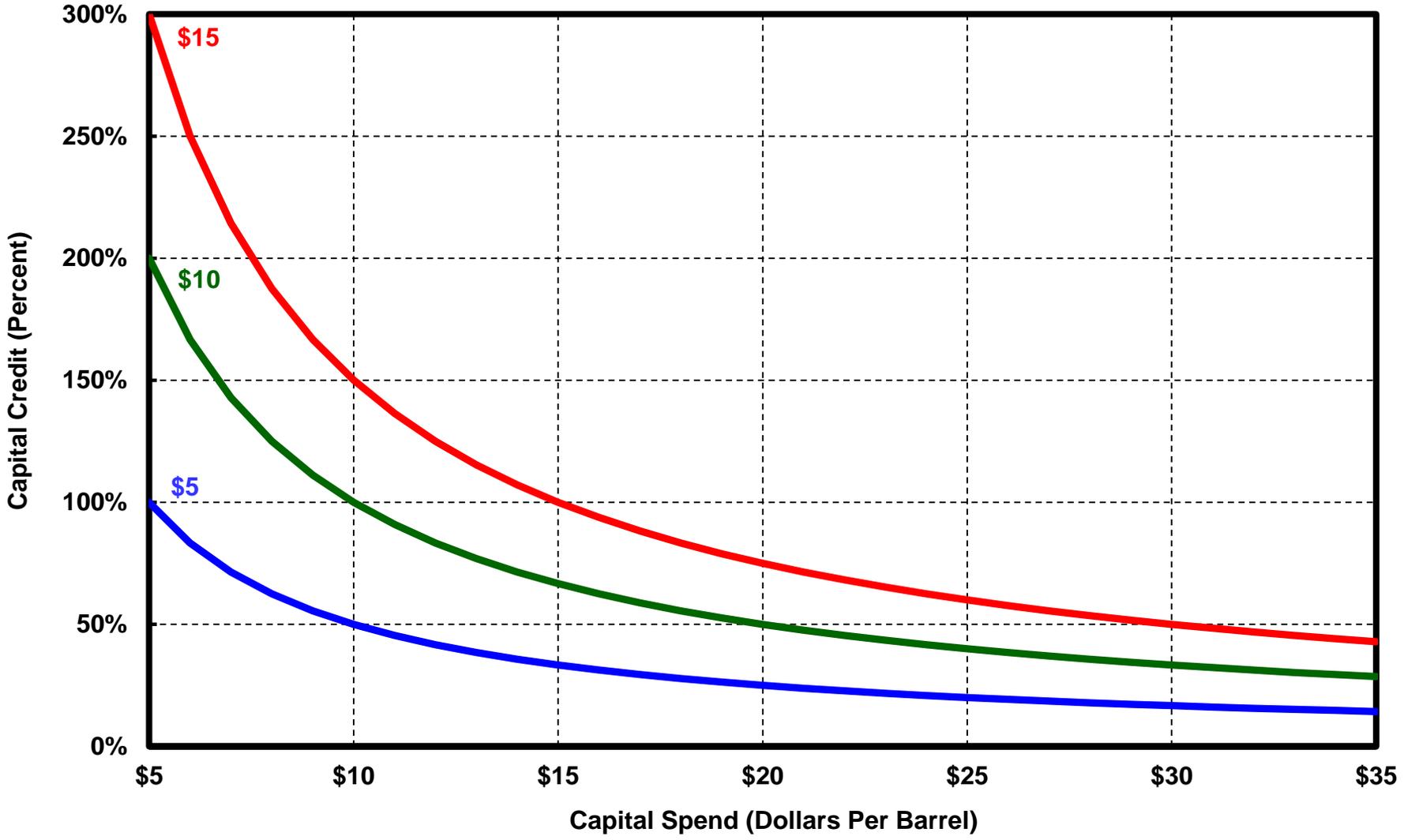
# North Slope Tax Rate Under SRES CS SB21 With \$5/Bbl Production Allowance



# GRE Equivalent Value From Specified Production Allowance (35% Tax Rate)



# Capital Credit Equivalent Value at Specified Production Allowance

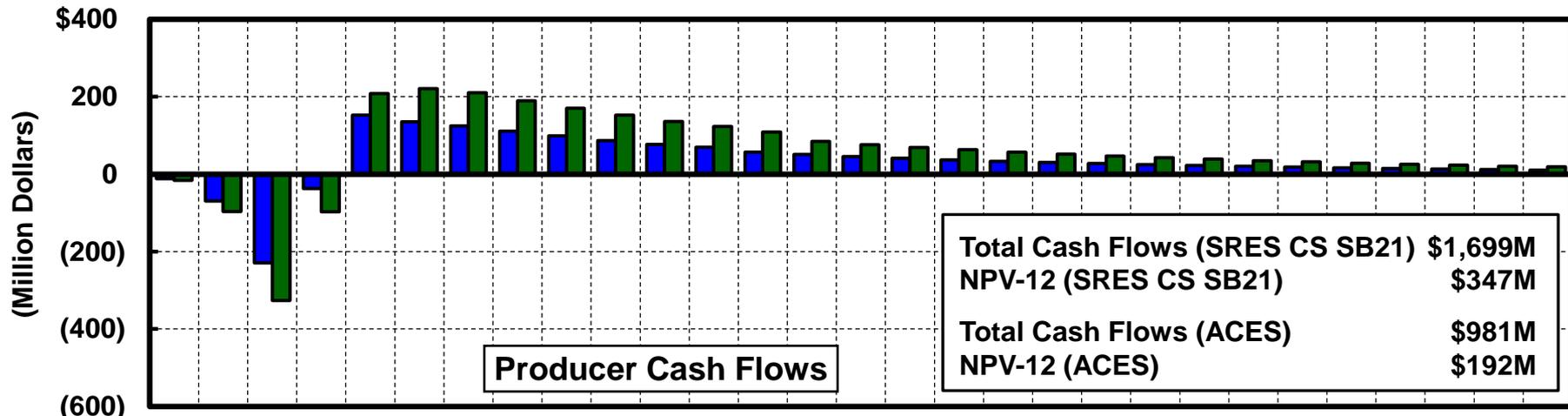


# Annual State Revenues and Producer Cash Flows at \$100 West Coast ANS (\$2012)

## Lower Cost Oil Alaska Development

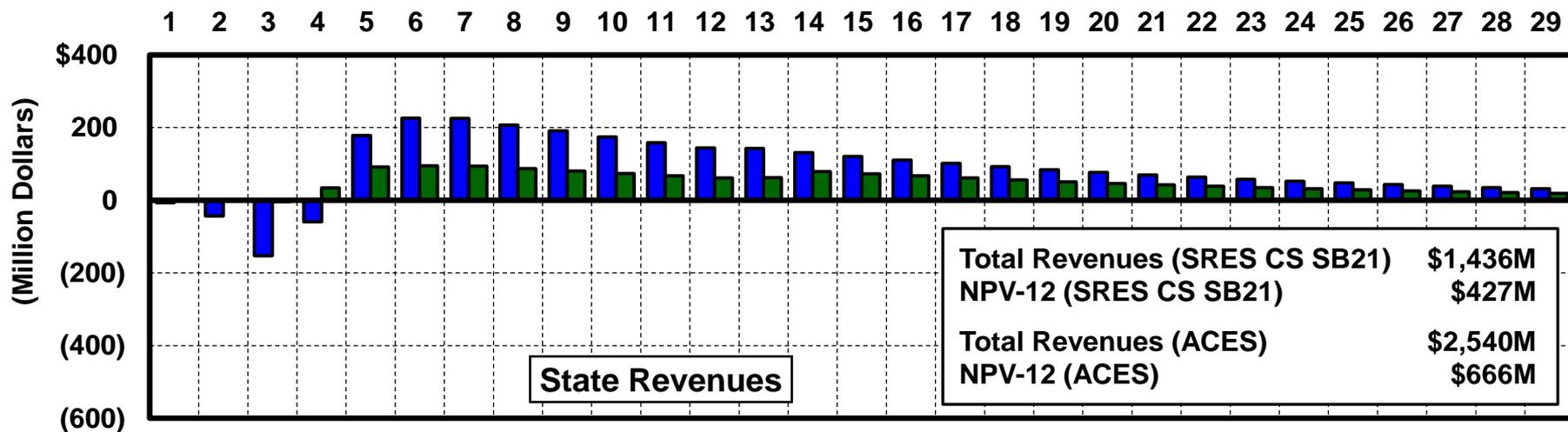
### New Participant in Alaska

ACES █ SRES CS SB21 █



Producer Cash Flows

Total Cash Flows (SRES CS SB21) \$1,699M  
 NPV-12 (SRES CS SB21) \$347M  
 Total Cash Flows (ACES) \$981M  
 NPV-12 (ACES) \$192M



State Revenues

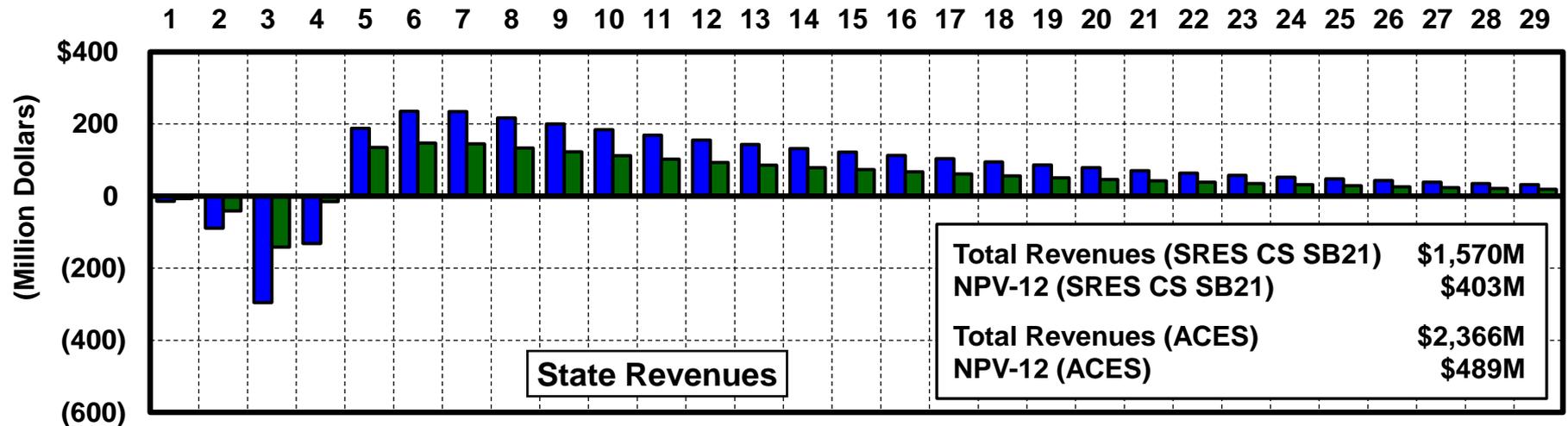
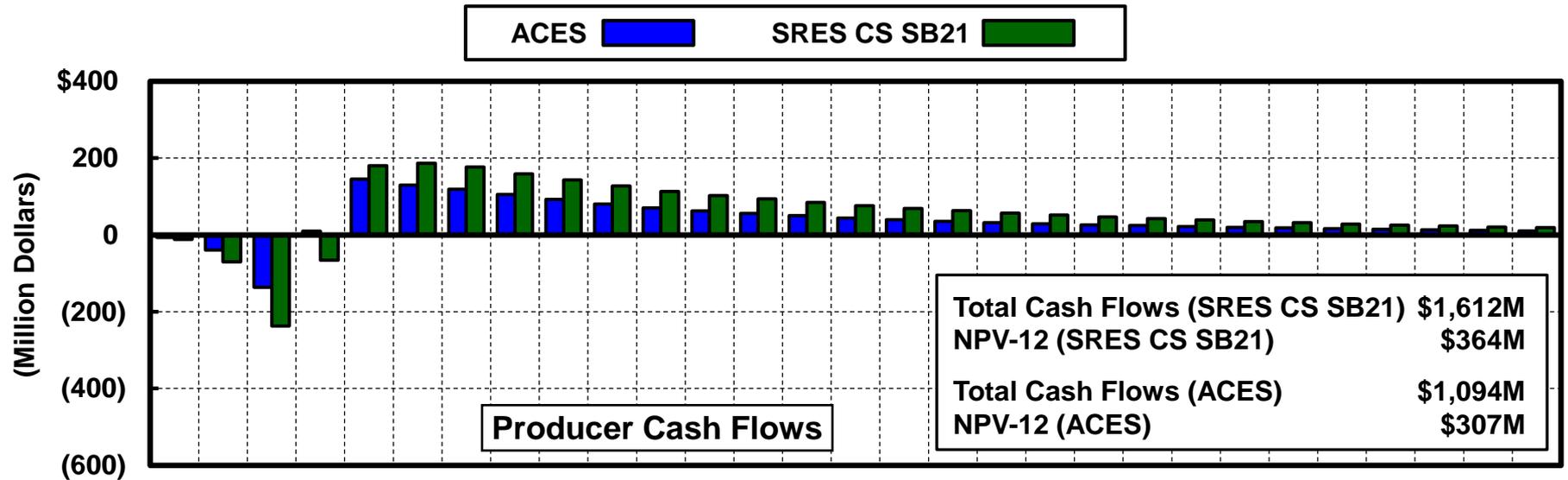
Total Revenues (SRES CS SB21) \$1,436M  
 NPV-12 (SRES CS SB21) \$427M  
 Total Revenues (ACES) \$2,540M  
 NPV-12 (ACES) \$666M

Lower Cost: \$16 Per Barrel Development Capex and \$14 Per Barrel Opex

# Annual State Revenues and Producer Cash Flows at \$100 West Coast ANS (\$2012)

## Lower Cost Oil Alaska Development

### Incumbent Participant in Alaska



Lower Cost: \$16 Per Barrel Development Capex and \$14 Per Barrel Opex

# Producer and State Economics Under Alternative Systems

## Incumbent Investment in 50 MMBO Field

### \$20/Bbl Development Capex, 12.5% Royalty Rate



Real \$2012 West Coast ANS Price	Base	GRE at 30%		Additional \$5/Bbl Allowance		Additional \$10/Bbl Allowance		Capital Credit Percentage		ACES	No Production Tax
	35% Rate, \$5/Bbl Allowance	10 Years	Life	10 Years	Life	10 Years	Life	10%	20%		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)		
<b>Producer NPV-12 / BOE (Dollars Per BOE)</b>											
\$80	\$1.58	\$2.85	\$3.12	\$2.28	\$2.53	\$2.71	\$3.08	\$2.54	\$3.49	\$3.17	\$1.52
\$100	\$4.57	\$6.21	\$6.55	\$5.27	\$5.52	\$6.09	\$6.46	\$5.52	\$6.48	\$5.98	\$6.12
\$120	\$7.56	\$9.57	\$9.99	\$8.26	\$8.50	\$9.08	\$9.45	\$8.51	\$9.46	\$9.07	\$10.72
<b>Government Take (Percent)</b>											
\$80	65.2%	59.5%	55.6%	63.5%	60.0%	59.1%	53.8%	62.7%	60.2%	65.7%	54.3%
\$100	65.3%	60.5%	57.1%	64.2%	61.8%	61.9%	58.4%	63.6%	62.0%	70.4%	51.7%
\$120	65.3%	60.9%	57.9%	64.5%	62.8%	62.8%	60.2%	64.1%	62.9%	71.3%	50.5%
<b>NPV-12 of State Production Tax (Million 2012 Dollars)</b>											
\$80	(\$5)	(\$110)	(\$131)	(\$62)	(\$83)	(\$98)	(\$128)	(\$83)	(\$162)	(\$135)	\$0
\$100	\$127	(\$8)	(\$36)	\$70	\$50	\$2	(\$28)	\$49	(\$29)	\$11	\$0
\$120	\$260	\$94	\$59	\$202	\$182	\$135	\$104	\$181	\$103	\$135	\$0
<b>NPV-12 of Total State Cash (Million 2012 Dollars)</b>											
\$80	\$232	\$135	\$115	\$179	\$160	\$146	\$117	\$159	\$86	\$111	\$237
\$100	\$435	\$309	\$282	\$381	\$362	\$318	\$290	\$362	\$288	\$327	\$316
\$120	\$637	\$482	\$450	\$584	\$565	\$521	\$492	\$564	\$491	\$521	\$394
<b>NPV-12 of Total State Cash Where State Receives 50% of Royalties (Million 2012 Dollars)</b>											
\$80	\$140	\$43	\$23	\$87	\$68	\$54	\$25	\$67	(\$6)	\$19	\$145
\$100	\$316	\$190	\$163	\$262	\$243	\$199	\$171	\$243	\$169	\$208	\$197
\$120	\$491	\$336	\$304	\$438	\$419	\$375	\$346	\$418	\$345	\$375	\$249

# Producer and State Economics Under Alternative Systems

## New Participant Investment in 50 MMBO Field

### \$20/Bbl Development Capex, 12.5% Royalty Rate



Real \$2012 West Coast ANS Price	Base 35% Rate, \$5/Bbl Allowance	GRE at 30%		Additional \$5/Bbl Allowance		Additional \$10/Bbl Allowance		Capital Credit Percentage		ACES	No Production Tax
	(1)	10 Years	Life	10 Years	Life	10 Years	Life	10%	20%		
<b>Producer NPV-12 / BOE (Dollars Per BOE)</b>											
\$80	\$1.13	\$1.13	\$1.35	\$1.03	\$1.23	\$1.03	\$1.33	\$1.13	\$1.13	\$1.68	\$1.52
\$100	\$4.26	\$5.52	\$5.79	\$4.89	\$5.13	\$5.42	\$5.71	\$5.01	\$5.52	\$3.04	\$6.12
\$120	\$7.37	\$9.25	\$9.68	\$8.00	\$8.25	\$8.75	\$9.13	\$8.08	\$8.90	\$4.76	\$10.72
<b>Government Take (Percent)</b>											
\$80	60.4%	60.4%	56.9%	61.9%	58.8%	61.9%	57.3%	60.4%	60.4%	68.7%	54.3%
\$100	63.2%	58.0%	55.0%	61.7%	59.3%	59.0%	56.0%	60.5%	58.0%	74.4%	51.7%
\$120	63.9%	59.2%	56.1%	63.0%	61.3%	61.1%	58.5%	62.4%	60.3%	76.0%	50.5%
<b>NPV-12 of State Production Tax (Million 2012 Dollars)</b>											
\$80	\$32	\$32	\$14	\$40	\$24	\$40	\$16	\$32	\$32	(\$13)	\$0
\$100	\$153	\$50	\$27	\$101	\$81	\$58	\$33	\$91	\$50	\$253	\$0
\$120	\$275	\$120	\$86	\$223	\$203	\$161	\$131	\$217	\$150	\$490	\$0
<b>NPV-12 of Total State Cash (Million 2012 Dollars)</b>											
\$80	\$267	\$267	\$251	\$275	\$260	\$275	\$252	\$267	\$267	\$225	\$237
\$100	\$459	\$362	\$341	\$411	\$392	\$370	\$347	\$401	\$362	\$553	\$316
\$120	\$652	\$507	\$474	\$603	\$584	\$545	\$517	\$597	\$534	\$853	\$394
<b>NPV-12 of Total State Cash Where State Receives 50% of Royalties (Million 2012 Dollars)</b>											
\$80	\$175	\$175	\$159	\$183	\$168	\$183	\$160	\$175	\$175	\$133	\$145
\$100	\$340	\$243	\$222	\$292	\$273	\$251	\$228	\$282	\$243	\$434	\$197
\$120	\$506	\$361	\$329	\$457	\$438	\$399	\$371	\$451	\$388	\$707	\$249

# Producer and State Economics Under Alternative Systems

## New Participant Investment in 50 MMBO Field

### \$20/Bbl Development Capex, 16.67% Royalty Rate



Real \$2012 West Coast ANS Price	Base 35% Rate, \$5/Bbl Allowance	GRE at 30%		Additional \$5/Bbl Allowance		Additional \$10/Bbl Allowance		Capital Credit Percentage		ACES	No Production Tax
	(1)	10 Years	Life	10 Years	Life	10 Years	Life	10%	20%		
<b>Producer NPV-12 / BOE (Dollars Per BOE)</b>											
\$80	\$0.42	\$0.42	\$0.62	\$0.32	\$0.51	\$0.32	\$0.60	\$0.42	\$0.42	\$1.26	\$0.78
\$100	\$3.60	\$4.59	\$4.86	\$4.15	\$4.39	\$4.50	\$4.78	\$4.31	\$4.59	\$2.57	\$5.15
\$120	\$6.49	\$8.31	\$8.71	\$7.15	\$7.39	\$7.84	\$8.20	\$7.27	\$8.05	\$4.19	\$9.53
<b>Government Take (Percent)</b>											
\$80	64.4%	64.4%	61.1%	65.9%	62.9%	65.9%	61.4%	64.4%	64.4%	71.1%	58.8%
\$100	65.7%	61.4%	58.6%	64.2%	62.0%	62.4%	59.5%	62.9%	61.4%	76.2%	55.5%
\$120	66.4%	61.7%	58.8%	65.4%	63.7%	63.5%	61.1%	64.7%	62.5%	77.6%	54.0%
<b>NPV-12 of State Production Tax (Million 2012 Dollars)</b>											
\$80	\$30	\$30	\$13	\$37	\$22	\$37	\$14	\$30	\$30	(\$40)	\$0
\$100	\$128	\$46	\$25	\$82	\$63	\$54	\$31	\$70	\$46	\$213	\$0
\$120	\$251	\$100	\$68	\$196	\$176	\$139	\$110	\$186	\$122	\$440	\$0
<b>NPV-12 of Total State Cash (Million 2012 Dollars)</b>											
\$80	\$322	\$322	\$307	\$330	\$315	\$330	\$308	\$322	\$322	\$257	\$295
\$100	\$510	\$433	\$413	\$467	\$449	\$441	\$419	\$455	\$433	\$589	\$390
\$120	\$720	\$579	\$549	\$669	\$650	\$615	\$588	\$659	\$599	\$897	\$485
<b>NPV-12 of Total State Cash Where State Receives 50% of Royalties (Million 2012 Dollars)</b>											
\$80	\$200	\$200	\$184	\$207	\$193	\$207	\$185	\$200	\$200	\$135	\$172
\$100	\$351	\$275	\$254	\$309	\$290	\$282	\$260	\$297	\$275	\$430	\$231
\$120	\$525	\$385	\$354	\$474	\$456	\$421	\$394	\$465	\$405	\$702	\$291

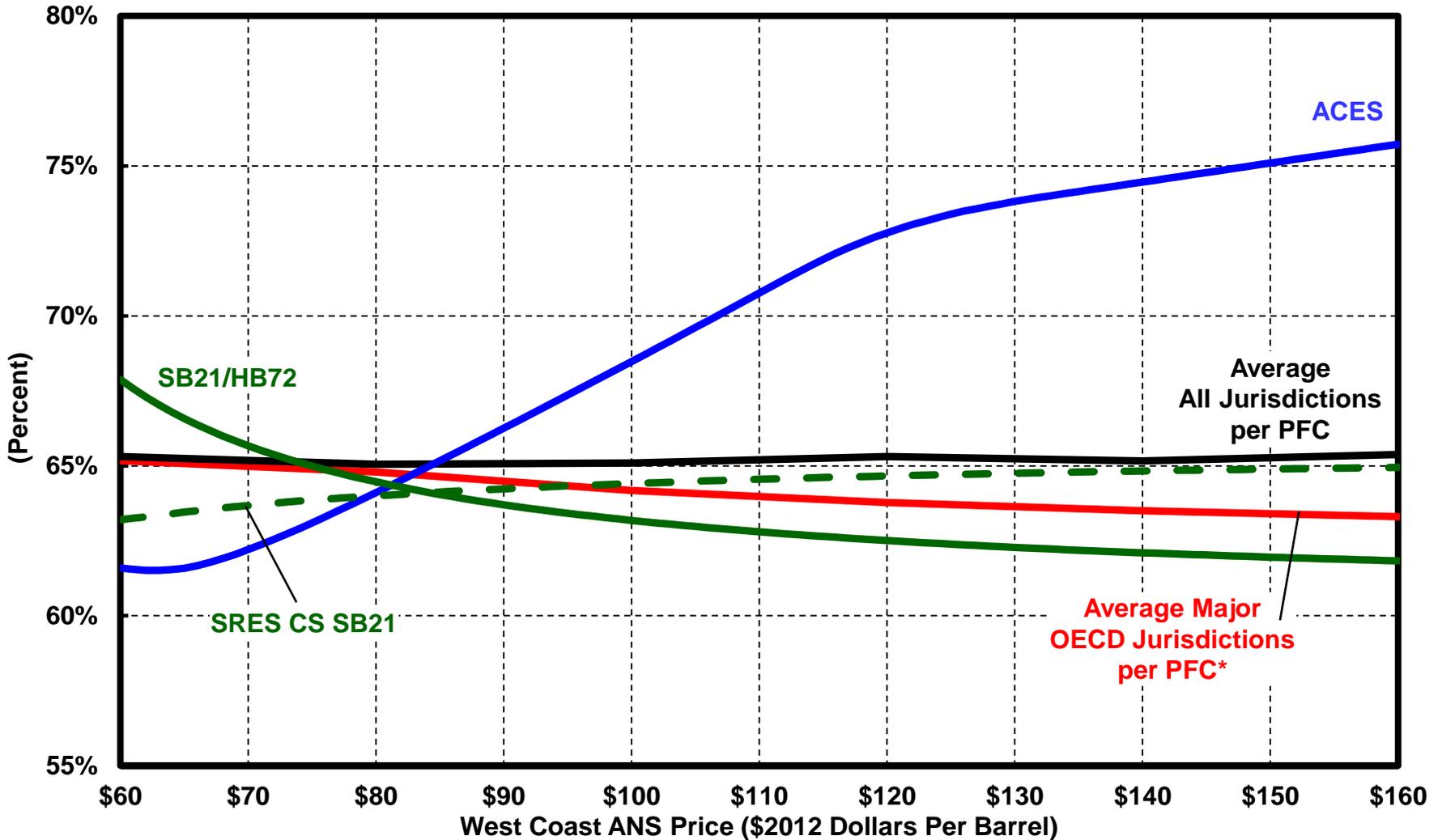
# Impact of “Interest” on Loss Carry Forward

## 50 MMBO New Field With 16.67% Royalty

### \$20/BBL Development Cost, New Participant

Real \$2012 West Coast ANS Price	RES CS SB21 Rate Loss Carry Forward Increase					RES CS SB21 Loss Deductible/ Refundable When Spent	ACES	No Production Tax
	0%	5%	10%	15%	20%			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Producer NPV-12 / BBL (Dollars Per BOE)</b>								
\$80	\$0.62	\$0.62	\$0.62	\$0.62	\$0.62	\$2.51	\$1.27	\$0.78
\$100	\$4.61	\$4.73	\$4.85	\$4.85	\$4.85	\$5.29	\$2.57	\$5.15
\$120	\$8.25	\$8.37	\$8.52	\$8.71	\$8.99	\$9.06	\$4.19	\$9.53
<b>Total State NPV-12 (Million 2012 Dollars)</b>								
\$80	\$307	\$307	\$307	\$307	\$307	\$161	\$257	\$295
\$100	\$432	\$422	\$413	\$413	\$413	\$341	\$589	\$390
\$120	\$584	\$575	\$563	\$549	\$527	\$522	\$897	\$486

# Average Government Take ACES v. SB21/HB72 and SRES CS SB21 for All Existing Producers (FY2015-FY2019) and Other Jurisdictions



\* Australia, Canada (Alberta Conventional), Norway, United Kingdom and United States.

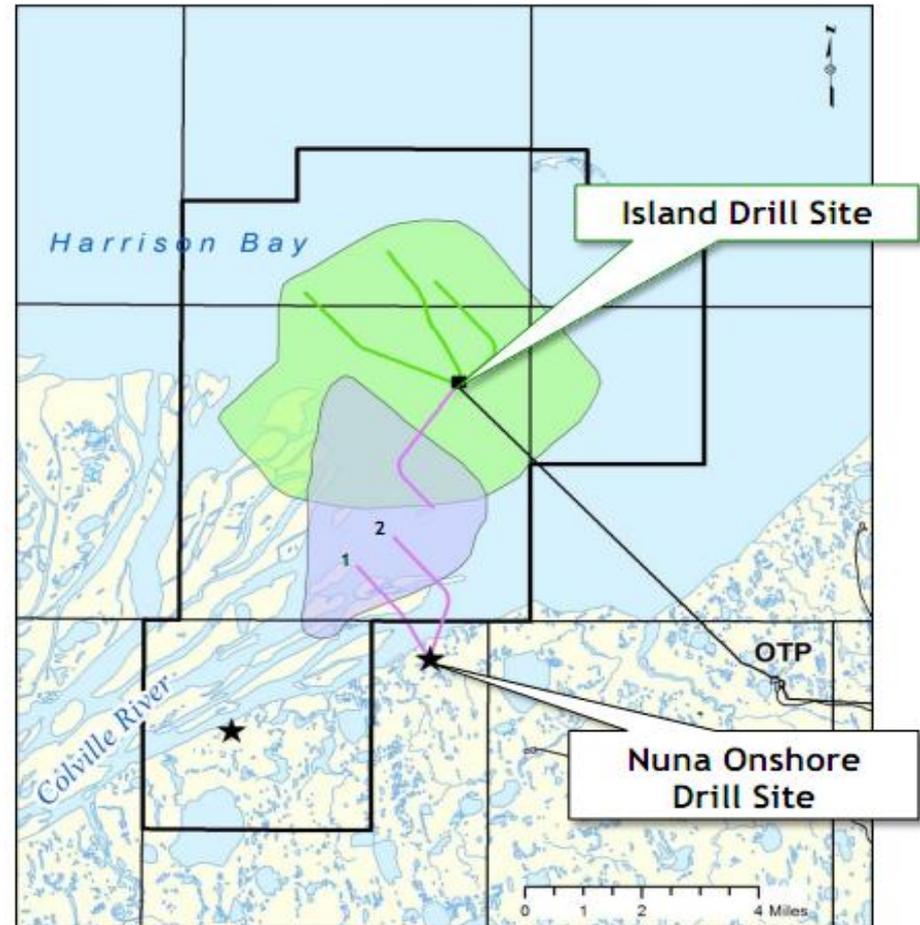
---

# Slides From Pioneer Presentation For Discussion

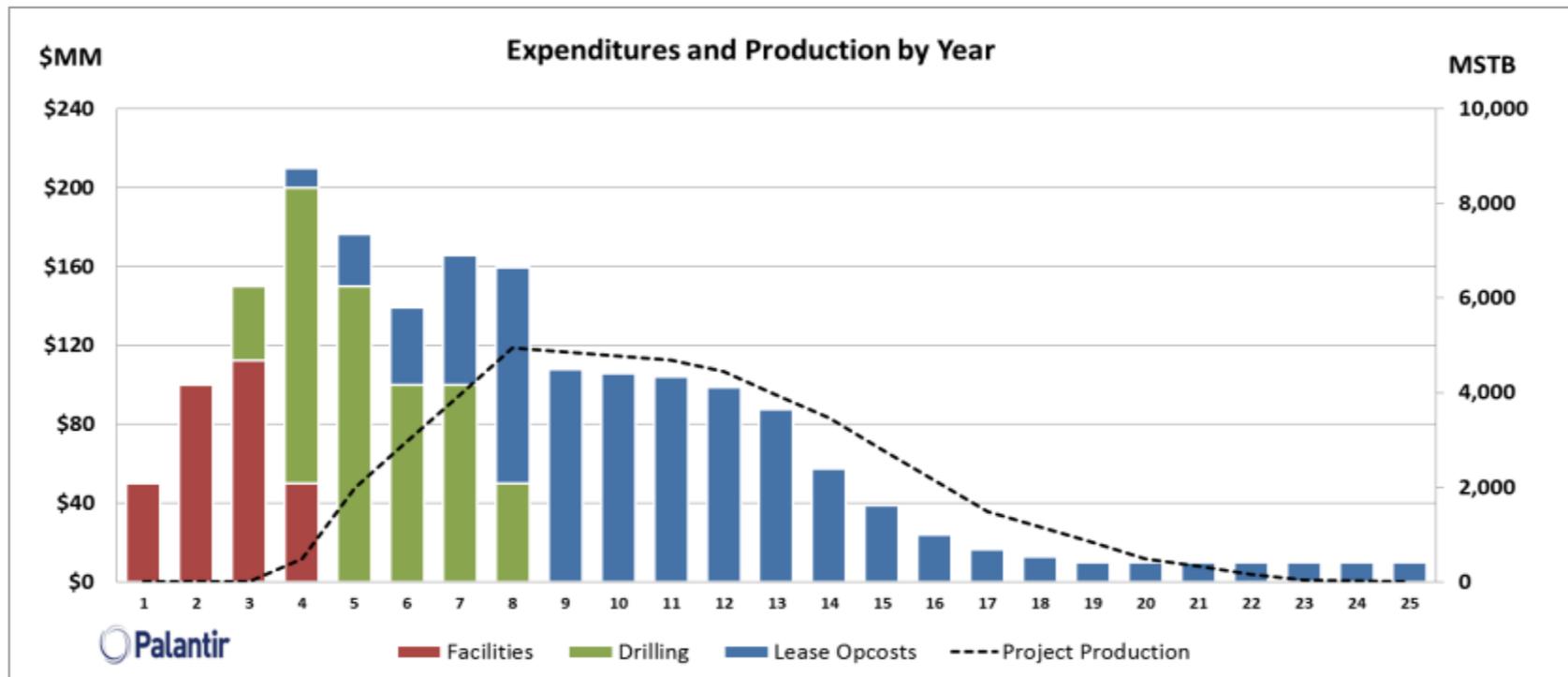
# What's Next?

## Nuna Project:

- Nuna-1 well drilled in 2012
- ~50 MMBO of resource potential
- Nuna-2 drilling underway
- Phase I development overview
  - Q3 2013 sanction decision
  - ~\$1 Billion capital required
  - 2015 first oil
  - 14 MBOPD peak production
  - Jobs and economic impact
- Potential for 2<sup>nd</sup> drill site
- **Must compete for limited capital against low-risk, fast-cycle projects in Lower 48**



# Typical New Project Spend Profile



## Typical Project (after discovery):

- 1st year: front end engineering work
- 2nd year: 100% of capital spent on facilities
- 3rd year: 75% capital is for facility work
- Drilling begins late in 3<sup>rd</sup> year, no production until 4th year
- 4th year: production begins
- Peak production rate occurs during 5<sup>th</sup> year after start of production